

**Commonwealth of Kentucky
Office of Financial Institutions
Instructions**

For preparation of Annual Report under the Kentucky Consumer Loan Act

(The Schedule Letters and Item Numbers in the following instructions correspond with those shown in the report.)

Covered herein is detailed information to assist licensees in making the Annual Report required under KRS 288.590 of the Kentucky Consumer Loan Act. Whenever reference is made to business under the Kentucky Consumer Loan Act, it is intended to include the remainder of business under the old Small Loan Law. The Annual Report must cover the calendar year so the Commissioner of Financial Institutions can complete statistical and other information on a uniform basis.

Where insufficient space is provided to set forth the facts adequately, annex a schedule giving the details.

PERIOD TO BE COVERED BY REPORT

Information reported in schedules B, E, and H will be as of the last day of the calendar year. Schedules C, D, F, G, and I should cover the period from the first day to the last day of the calendar year for all licensees who have been in business for one year or more. When a licensee began business after the beginning of the calendar year, the report should cover operations from the beginning of such business to the last day of the calendar year.

WHEN AND TO WHOM THE REPORT SHOULD BE MADE

The report must be filed with the Commissioner, Department of Financial Institutions, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601, not later than January 30, following the period covered in the report.

SCHEDULE A

Enter as Item 1 the name of the company filling the report. Where a composite report is filed only a short form report is required to be filed for each individual licensed office. The item numbers on the short form correspond to those on the composite report. Information entered for Items 2 through 4 on short form report should not be repeated on composite report.

Enter as Item 3 the actual place where business is conducted as shown in the license.

SCHEDULE B

This schedule is the balance sheet, at the beginning and end of the calendar year, and must conform with the actual book of the licensee. No items should be included in this schedule which do not appear on the books of the licensee. Any assets which are used and useful in the business but which do not appear on the books of the licensee should be reported in Schedule E.

Any licensee who does business in other states, as well as within Kentucky, shall allocate joint assets, liabilities, capital and all surplus between Kentucky and the other states.

Item 5 refers to Kentucky Consumer Act receivables carried on the books of the licensee. Loans should be reported net of unclaimed charges and reserve for bad debts.

Item 10 includes the actual expenses and the actual charges incurred or paid at the time of organizing the business and developing it to a paying basis, which were capitalized and which have not since been charged to expense and to the actual expenses incurred in raising money, or involved in current contracts now in force, such as bond discount, stock commissions, attorney's fees and other promotional expenses, which are capitalized and which have not since been charged to expense.

Item 12 will include assets not used in the business licensed under the Kentucky Consumer Loan Act in order that line 20, by the home office to each licensed office for use in the consumer loan business, and to fulfill the net worth requirements of the licensee.

Item 15: If the licensee is one of several licensed offices of a chain company, enter under this item the capital advance by the home office to each licensed office for use in the consumer loan business, and to fulfill the net worth requirements of the licensee, or if the licensee is an individual or partnership, enter under this item the net worth of the licensee, or if the licensee is a corporation enter the total capital.

SCHEDULE C

The Income and Expenses for business conducted under the Kentucky Consumer Loan Act must be reported on the appropriate lines in Schedule C.

Items 20 and 22 (b): Normally each licensee should compute its income taxes in Items 20 and 22 (b) by using an average rate of income tax determined from its actual income tax return if it is incorporated or from the returns of its owners if it is unincorporated. The tax rate should be the ratio of the aggregate income tax to aggregate taxable income shown in the Income Tax Return(s).

SCHEDULE D

If the licensee is an individual, partnership, or one of several licensed offices and no surplus account is carried books of the office, a reconciliation of net earnings (Item 21) should be given in lieu thereof.

SCHEDULE E

List as Item 35 (a) to and including Item 35 (e) any additional assets, tangible or intangible, by description and amount which the licensee considers used and useful and which are not on the books of the licensee. Such items may include, among others, (1) prepaid expense prohibited from collection at time loan is made and (2) present cost of funds for assets used and useful in Consumer Loan Business.

SCHEDULE F

Item 37 should represent the charges collected or earned for the year (including default and deferment charges) derived from the licensee's business of making loans under the Kentucky Consumer Loan Act.

To compute the average loan balance during the year, the loan balances outstanding (Net after deducting unearned charges) at January 1, February 1, March 1, April 1, May 1, June 1, July 1, August 1, September 1, October 1, November 1, and December 1, should be added together and divided by twelve. The result will be the desired average loan balance for the year. Even though an office was not in operation for the entire year the sum of the loan balances at the beginning of the months that the office was in existence must be divided by 12.

SCHEDULE G

For purposes of this schedule loans made on an add-on basis should be reported in net amounts, i.e., face of not less unearned charges.

Item 40: Loans classed according to type of security. In many cases loans may be based on combinations of securities. For example, a loan may be made on chattel mortgage with Co-Maker taken in addition. In such case, if the primary reliance is on the chattel mortgage, the loan should be classified under (a), (b), (c), or (d). The same principle applies in all cases – classify according to the primary security.

SCHEDULE H

A delinquent account is an account on which no payment of principle or charges has been made in the month or months preceding the end of the period covered by the report. Accounts are classified according to whether they are one month, two months, or three or more months delinquent. The number of accounts and amount of unpaid balance of principle (net amount) on such accounts, respectively, are to be entered in Items 41 (a) to 41 (c) and the total in Item 41 (d).

Net amount of add-on delinquent accounts may be computed by (1) deducting appropriate rebate from gross balance due on each delinquent account; or some other equitable method.

SCHEDULE I

This schedule is designed to show cases in which legal remedies are used for collections in connection with the Kentucky Consumer Loan Act of the Licensee. Item 42 is limited to those suites which are filed during the year, and does not include suits carried over on court dockets from one year to another year. Similarly Items 43 and 44 should include only those actions taken during the year.

AFFIDAVIT

The affidavit must be executed, if a corporation, by duly authorized officers of such corporation or by a member of the firm or partner if the licensee is a firm or partnership. In the case of illness or inability of such person to sign the affidavit, it may be executed by a legal representative or agent.